

 | SYKES HOLIDAY COTTAGES

Holiday Letting Outlook Report

2024

An in-depth review of the short-term accommodation industry in the UK, brought to you by Sykes Holiday Cottages.



Welcome to the Holiday Letting Outlook Report 2024

Our Holiday Letting Outlook Report is back for a third year, providing a detailed and comprehensive look into the UK's holiday letting industry.

What's in this report?

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Front cover Rusty Boathouse, Mid Wales & Cardigan Bay
Opposite page Shepherds Hut at The Hollies, Suffolk



Welcome

What is the future for holiday lets in the UK?

Welcome back to the third iteration of our annual Holiday Letting Outlook Report - with so much to unravel and discuss after a busy 12 months for the UK's short-term accommodation industry.

Staycations have been growing in popularity over the past decade and right now demand for our UK holiday cottages is higher than ever, with the average annual income of a holiday let owner up as a result.

But of course, the past 12 months have been slightly different for the industry – and this latest report therefore also reflects how we have been supporting our owners through recent changes and how they are feeling.

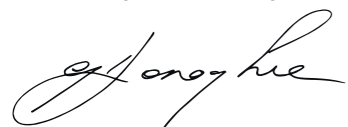
Despite changes, it is clear that holiday letting remains a profitable and rewarding long-term business model, with the nation's love of holidaying at home and exploring our incredible country going nowhere.

In this report, we've also worked with our specialist tax advisory partner, Zeal, to provide more context and meaning to the changes, while also looking at ways in which holiday let owners can maximise their income.

At Sykes, we're passionate about holiday letting and the benefits it brings to the UK. We see it as our role to champion holiday let owners so their contribution is understood by all, whilst helping them to run successful businesses.

We hope our latest report achieves this, whilst also providing you with an in-depth review of how the sector is performing, and offering predictions of what's to come.

Graham Donoghue,
CEO, Sykes Holiday Cottages



Three key takeaways from this report

Demand for holiday letting remains high, with Easter 2024 witnessing record bookings

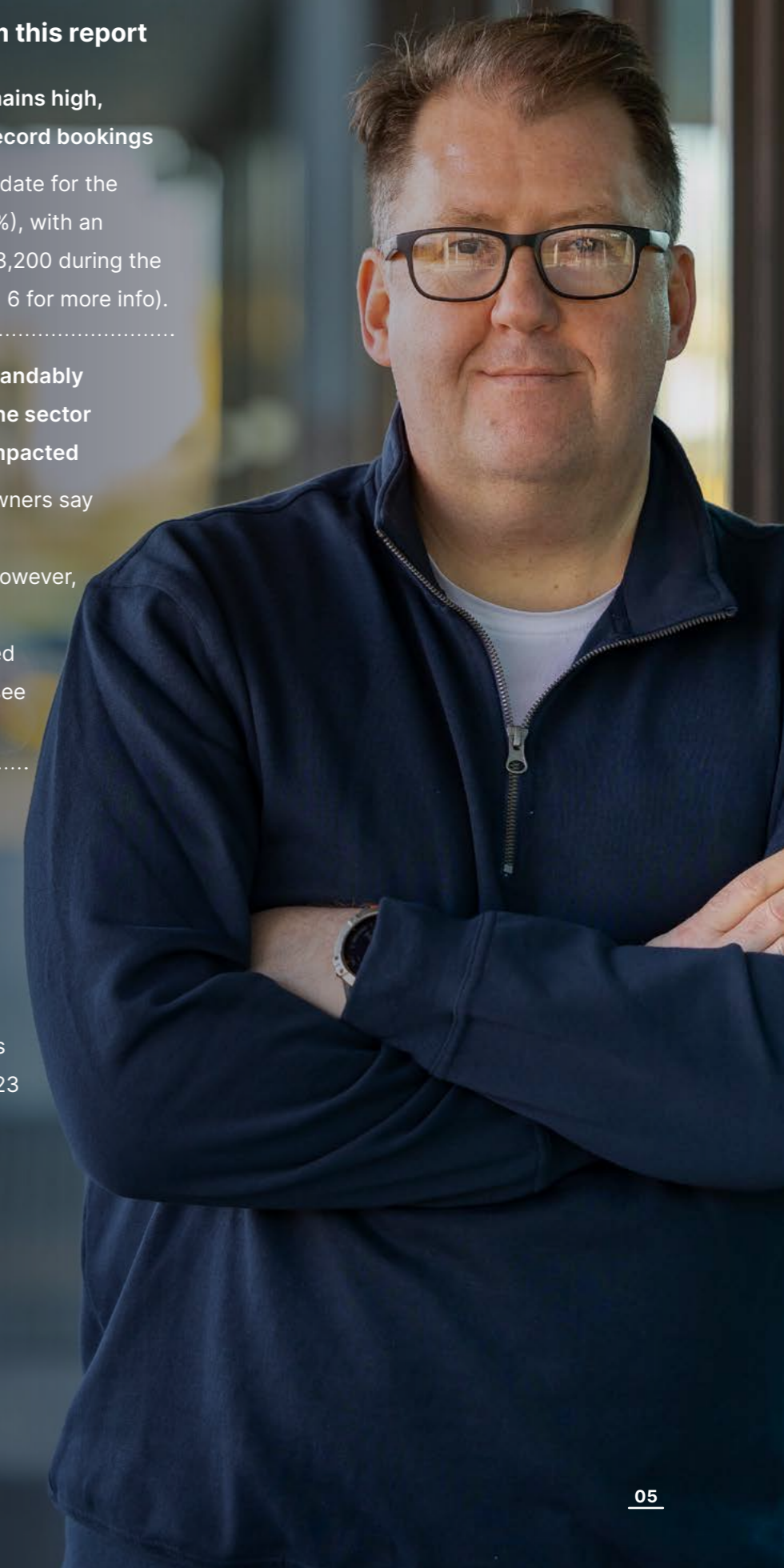
Easter 2024 was the busiest to date for the nation's holiday let owners (+11%), with an average income per owner of £3,200 during the school holiday period (see page 6 for more info).

Holiday let owners are understandably concerned about changes to the sector but not everyone is set to be impacted

More than three in five (65%) owners say they are worried about changes announced over the last year. However, it appears many may not be impacted by the recent furnished holiday let tax regime change (see page 8 for more info).

The average income of a holiday let owner in 2023 was £24,500

The earning potential of a holiday let business in the UK remains strong, with the Cotswolds taking the top spot as the highest earning region in 2023 (see page 12 for more info).



Industry at a glance

While holiday let owners are understandably concerned about the recent changes, it is clear that short-stay accommodation remains a profitable and rewarding long-term business model for most.

Here are some key insights from both our survey of UK holiday homeowners and our own bookings data.

£24,500 average turnover of a UK holiday let in 2023, versus £24,000 in 2022

8% increase in bookings year-on-year in 2023, up 71% versus pre-pandemic levels

£3,200 gross income figure for Easter school holidays in 2024 per owner, with bookings up 11%

Top reasons people rent properties to holidaymakers:

1. Chance to supplement existing income (29%)
2. An investment for future finances (29%)
3. To generate income during retirement (25%)

60,000 enquiries from new owners in 2023, double that of 2019 volumes

65% of holiday let owners say they are worried about the changes to the sector

87% of holiday let owners may have to increase prices to cover any additional taxes they incur

Half of owners are likely to buy another holiday let in the near future despite the recent changes

86% of owners say they are likely to continue to rent their holiday let

NB: Insights throughout this report are based on Sykes Holiday Cottages' internal bookings, revenue, and owner data. Consumer research was also undertaken of 500 holiday let owners in March 2024, while findings from a recent Professional Association of Self-Caterers survey of more than 4,000 holiday let owners have also been included.



Changes to the holiday let sector

The effects of the changing regulatory landscape

To date, the most significant regulatory or tax changes have been implemented in Scotland and Wales, but the UK Budget also recently revealed changes to the sector including scrapping the furnished holiday let tax regime from 1 April 2025. You can find out more information on all of the changes at www.sykescottages.co.uk/letyourcottage/advice/financial-guides.

We surveyed holiday let owners to find out how they're responding to the changes and how many have been impacted.

What changes are owners most worried about?

1. Higher rates of tax – and the impact it could have on profitability
2. A tourism levy – also known as 'tourist tax' for holidaymakers
3. A licensing scheme – already introduced in Scotland

What are owners looking at doing to mitigate the impact of the changes?

1. Increase prices to cover any additional taxes (87%)
2. Planning to make less property improvements (74%)
3. Register their holiday let for business rates (60%)

For the majority of holiday let owners, letting out their properties is a long-term business model.

- **63%** of holiday let owners have been **renting for six or more years**.
- **75%** of owners are more **focused on maximising annual income** versus the long-term investment gain.
- **43%** of holiday let owners **live within ten miles** of their holiday let, while **53%** live within **20 miles**.

If holiday let owners were to sell their properties, just **4%** think a local person would be the one to purchase it.

77% of owners think the government's crackdown on the sector risks impacting local economies, while **81%** say residents local to their holiday lets welcome and rely on tourism.

Who is impacted by the changes?

While the latest news of the potential scrapping of the furnished holiday let tax regime has come as a shock to many, it is important to acknowledge that not everyone will be impacted.

The removal of the furnished holiday let tax regime will have less, if any, impact on:

1. Those with **no mortgage on their property** – which equates to an estimated **57%** of holiday let owners
2. Those who are **registered as a limited company** – which more and more are now considering
3. **Basic rate tax payers** - whose income excluding interest is **<£49,570**

We've worked with our specialist tax advisory partner, Zeal, to work out how much the furnished holiday let tax change could cost those impacted.

According to Zeal's calculations, some holiday let owners could miss out on an average of £1,890 a year in tax, based on an average mortgage balance in the UK of £189,000, and assuming they are a higher rate tax payer.



Matt Jeffery
Tax Director at Zeal

For the majority of holiday let owners, this latest tax change is unlikely to have much – if any – of an impact. Many owners don't have a mortgage which rules them out of ever benefiting from this specific tax relief in the first place, while others will be within the basic rate tax band or may be registered as a limited company, meaning there should be no impact on their annual tax liabilities in this area.

For others, this could lead to a slight reduction in their net income. For example, owners with multiple properties, high interest costs or higher rate taxpayers who don't own the holiday let through a limited company will likely be affected. However, the delay in the new rules coming into force gives owners time to ensure they have claimed all tax reliefs available and consider any options to structure their business tax efficiently.

If unsure, seek professional advice before taking action. But rest assured, there are options available for people to consider and holiday let owners will continue to get relief on their interest payments, just not to the same rate as it once was.

A word from the experts and our owners



Ben Edgar-Spier,

Head of Regulation and Policy at Sykes Holiday Cottages

The announcement earlier this year of a registration scheme for England's short-term letting industry has the intention to track the size and impact of the sector and ensure short-term lets are safe, something which Sykes fully supports.

However, there have been other changes made recently which have seen holiday let owners be unfairly scapegoated in the guise of controlling rising house prices. The reality is there are potentially hundreds of factors at play here.

Short term rentals truly are the economic lifeblood of many parts of the UK, driving spending, providing direct employment and supporting local businesses alike. We're working hard to demonstrate this to the government, campaigning for them to reconsider their decisions before any further regulation risks unforeseen impacts.



Andy Fenner,

CEO of the Short Term Accommodation Association

It's no secret that the past few years have been tough for tourism, from the pandemic cutting off international travel to the current cost-of-living crisis, and recent tightening of regulations creating extra costs and confusion.

However, the short-term rental industry has shown incredible resilience, and earned its place as one of the crown jewels of British tourism. Rather than casting blame, it would be more productive for governments to celebrate holiday lets as an integral component of the UK's tourism industry.

Not only do they bring in much-needed revenue to local businesses and generate new jobs across Britain, they have also democratised the broader hospitality sector by enabling visitors to explore areas that traditional hotels and guesthouses do not cover.



Ian and Tessa Knott Sinclair,

from Dumfries and Galloway, have been renting out Glenwhan Lodge in Wigtownshire since 2021.

We love renting out our holiday home to holidaymakers, giving us an opportunity to meet lots of people and welcome them into our community. Our bookings over the last year have been strong, and that applies particularly to the winter period when lots of city-goers come to us for weekend getaways.

However, there is no denying that the last few years have brought some changes, including the requirement to sign up to Scotland's new licensing scheme. The paperwork has been long and complex, and while we know it is important, we can't help but feel the introduction of the scheme has been rushed. Without Sykes' support, it would have been even more confusing and unclear.

We hope that the council and the government recognise how essential tourism is to Scotland and don't try to introduce any further regulations that will cause a drop in holiday accommodation. It is such an important part of our local economy, and with more changes we do fear that it could make things more challenging than they need to be.



Earning potential of UK holiday lets

The top ten highest earning regions to own a holiday let

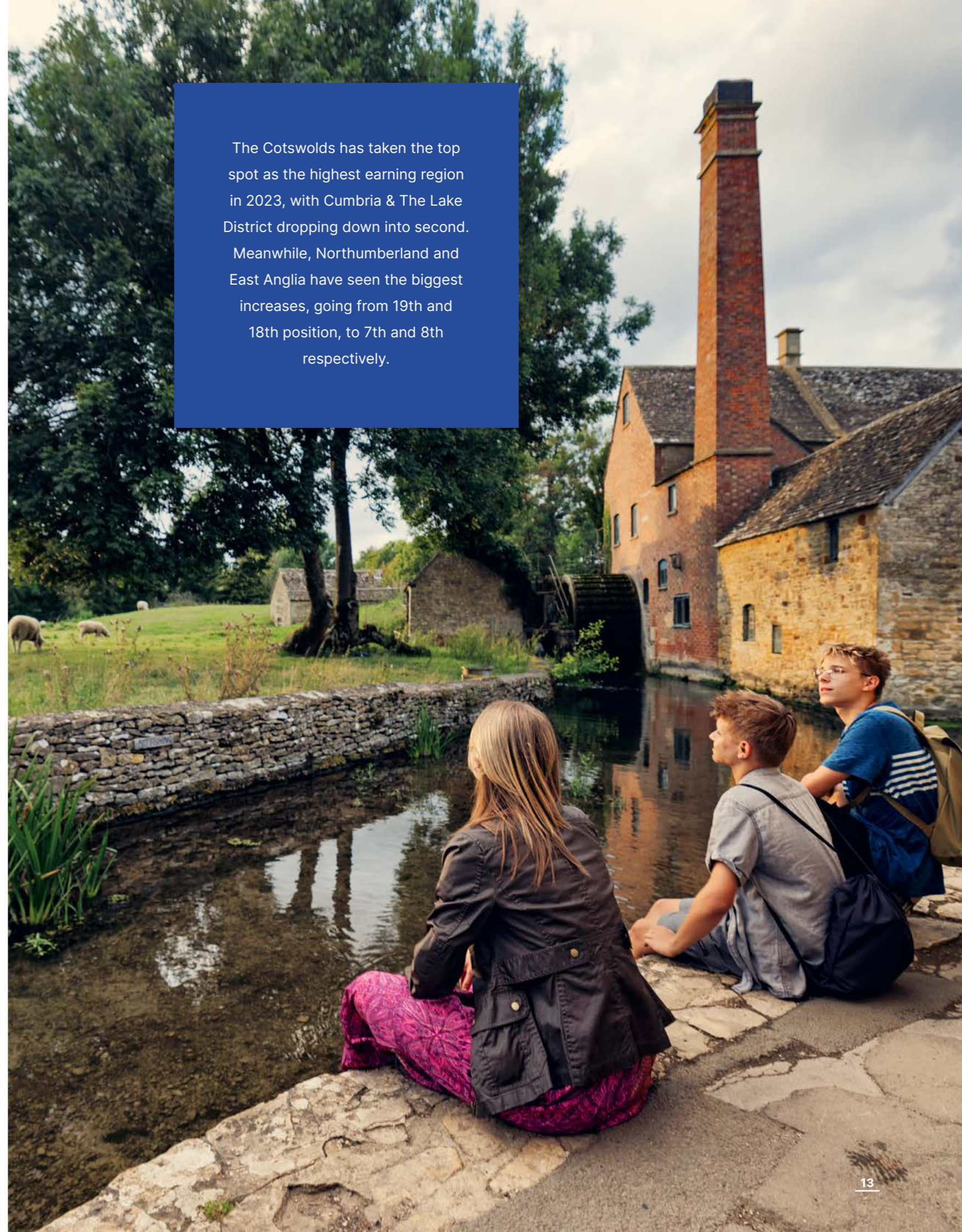
Despite the changes facing the sector, owning a holiday let remains a profitable long-term business model, with average revenues on the rise across the UK in 2023.

See below the latest average incomes of our holiday lets throughout the UK.

No. 1	Cotswolds - £28,500 per year	
	2 bedroom £24,700	4 bedroom £46,300
No. 2	Cumbria & The Lake District - £28,200 per year	
	2 bedroom £21,300	4 bedroom £44,200
No. 3	Dorset - £27,000 per year	
	2 bedroom £23,100	4 bedroom £38,300
No. 4	Cornwall - £26,500 per year	
	2 bedroom £21,900	4 bedroom £34,300
No. 5	Peak District - £26,500 per year	
	2 bedroom £20,300	4 bedroom £41,100
No. 6	Highlands and Islands - £25,100 per year	
	2 bedroom £22,700	4 bedroom £32,000
No. 7	Northumberland - £25,000 per year	
	2 bedroom £20,500	4 bedroom £38,300
No. 8	East Anglia - £24,900 per year	
	2 bedroom £20,500	4 bedroom £40,300
No. 9	South Coast - £24,500 per year	
	2 bedroom £20,100	4 bedroom £35,400
No. 10	North Wales - £24,400 per year	
	2 bedroom £18,800	4 bedroom £33,200



Average gross income for 2023 based on property sizes



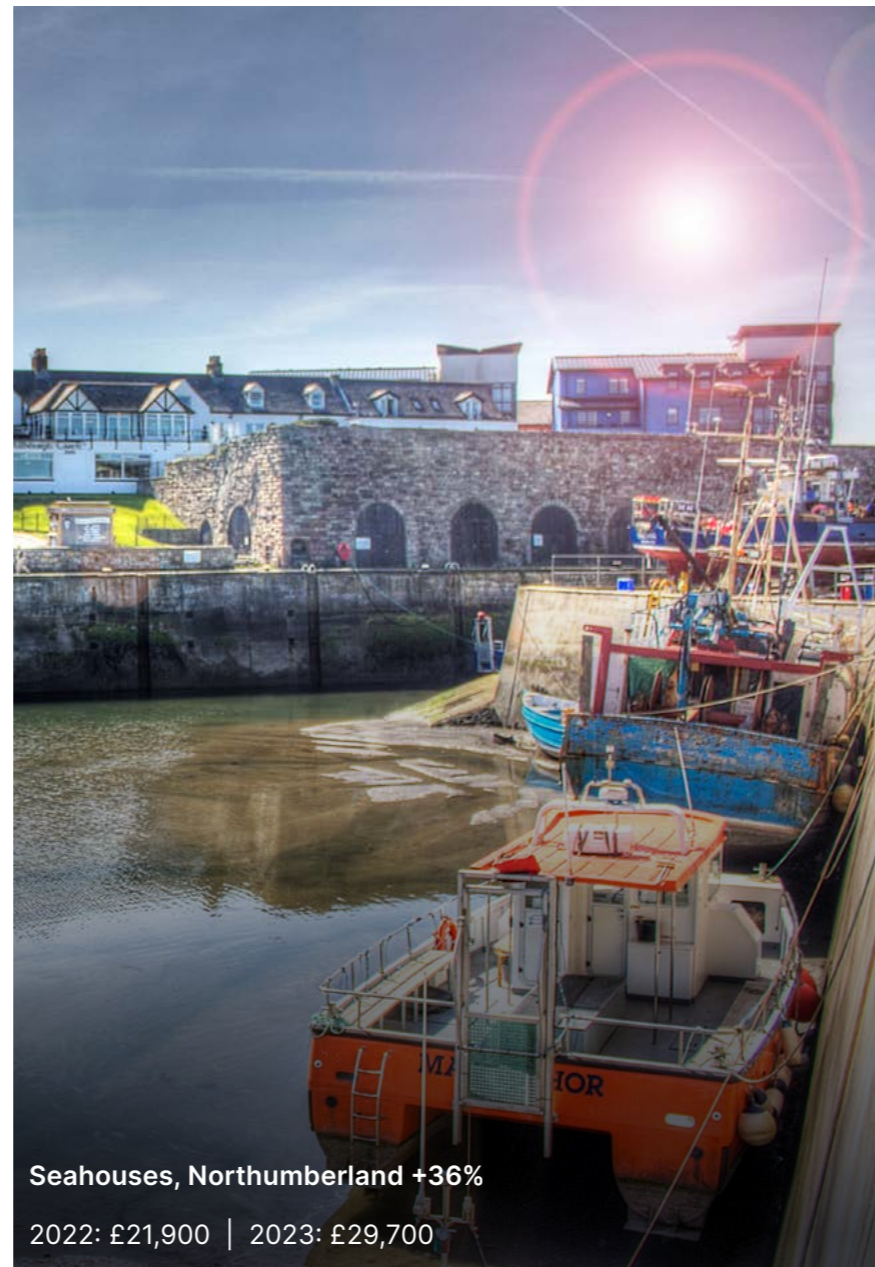
The Cotswolds has taken the top spot as the highest earning region in 2023, with Cumbria & The Lake District dropping down into second. Meanwhile, Northumberland and East Anglia have seen the biggest increases, going from 19th and 18th position, to 7th and 8th respectively.

Ones to watch: Destinations where income levels are up year-on-year

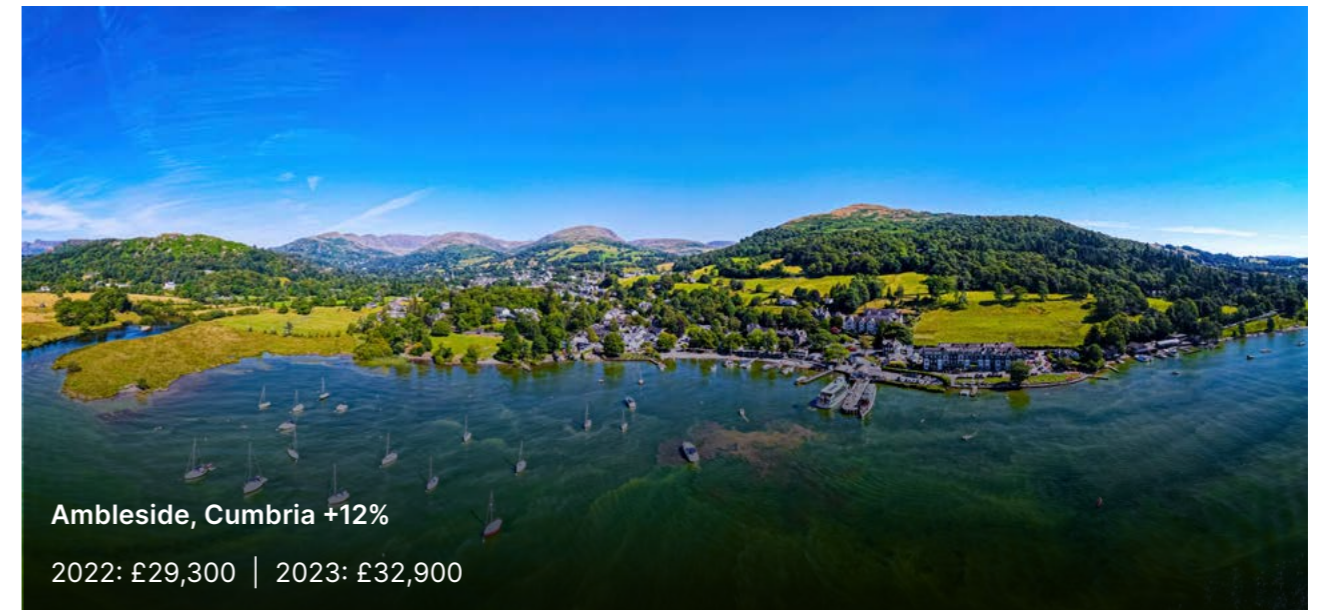
A look at the locations that have seen the greatest increase in income between 2022 and 2023.



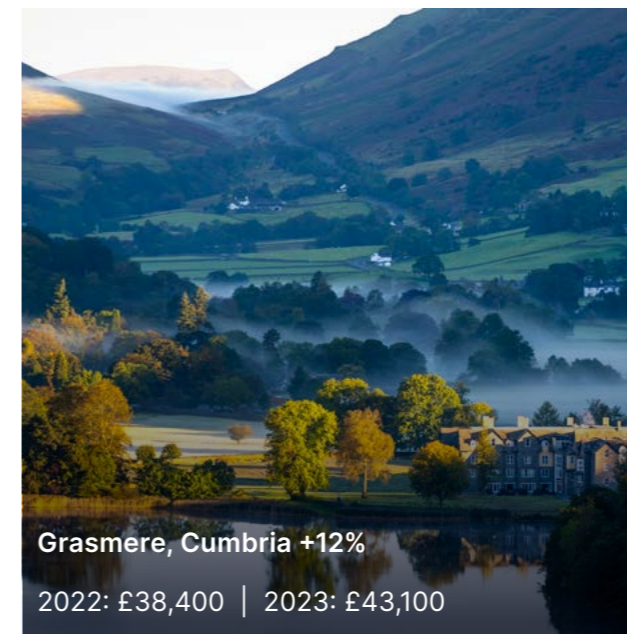
Bamburgh, Northumberland +25%
2022: £24,100 | 2023: £30,100



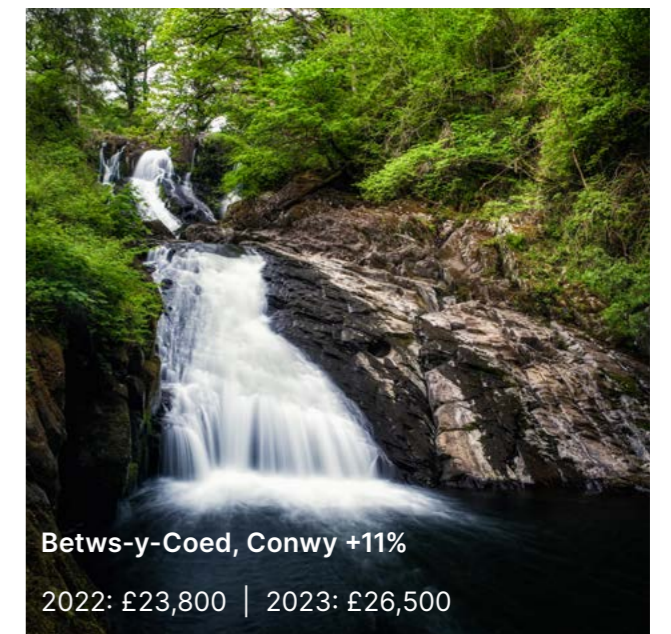
Seahouses, Northumberland +36%
2022: £21,900 | 2023: £29,700



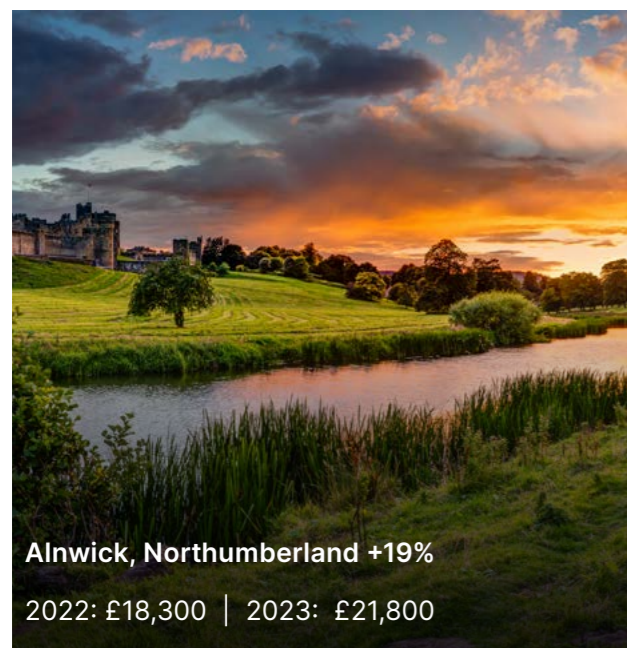
Ambleside, Cumbria +12%
2022: £29,300 | 2023: £32,900



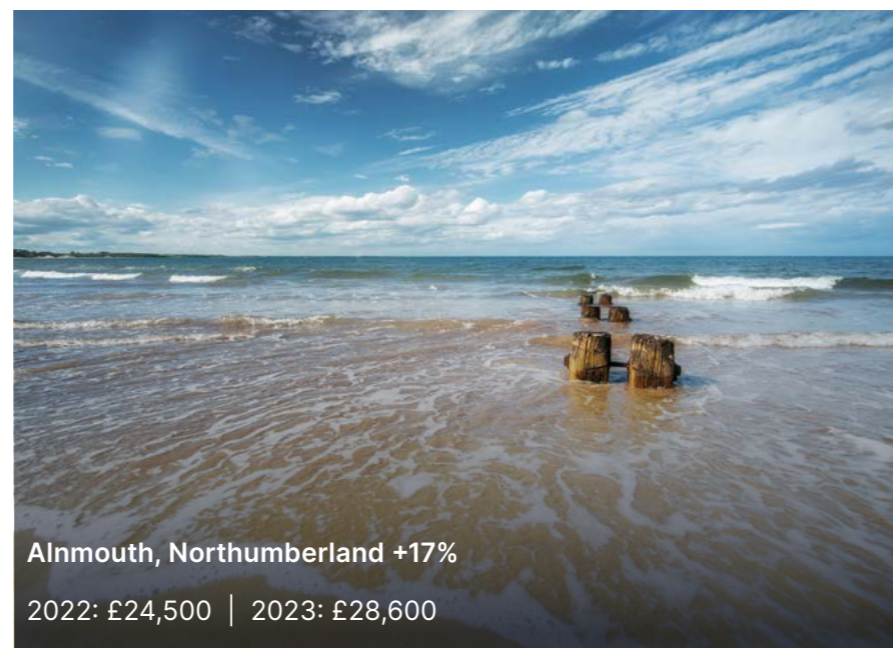
Grasmere, Cumbria +12%
2022: £38,400 | 2023: £43,100



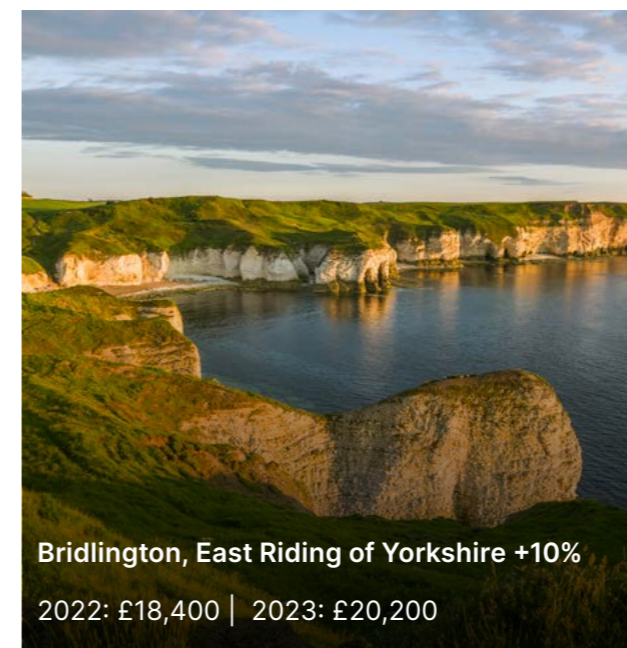
Betws-y-Coed, Conwy +11%
2022: £23,800 | 2023: £26,500



Alnwick, Northumberland +19%
2022: £18,300 | 2023: £21,800



Alnmouth, Northumberland +17%
2022: £24,500 | 2023: £28,600



Bridlington, East Riding of Yorkshire +10%
2022: £18,400 | 2023: £20,200

Five locations in Northumberland feature in the top ten for income growth. Seahouses and Bamburgh are famous for their unspoilt beauty, with long sandy beaches, well-preserved medieval castles and gardens. Meanwhile, Alnwick is just inland and features a wide array of shops and local restaurants.

Running a successful holiday let

The ingredients for success

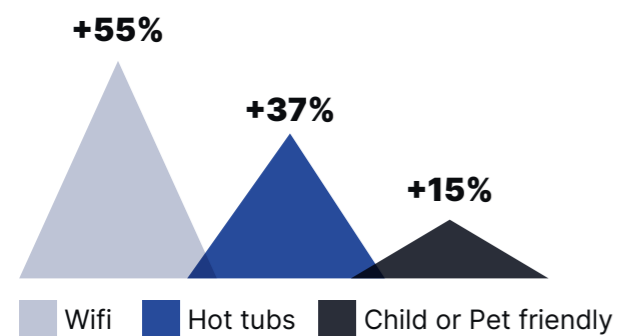
More so now than ever, holiday let owners will be on the lookout for ways to maximise their revenue and, in turn, minimise the impact of any increased taxes on their returns. There are lots of different aspects of running a holiday let, but here are some things to consider to make it even more of a success.

The top five most searched for features on the Sykes website:

1. Hot tub
2. Wifi
3. Pub proximity
4. Garden
5. Swimming pool

Top five property types for income:

1. Unique/wow properties (£39,000)
2. Detached house (£37,000)
3. Farm stay (£35,000)
4. Barn conversion (£28,000)
5. Cottage (£24,000)



The above features boost income potential the most according to Sykes' revenue figures



Around 1,000 of our properties now boast an EV charging point, with our research also showing 27% of owners plan to add new sustainable features to their current holiday home over the next few years – including electric vehicle charging points, heat pumps or solar panels.

Driving more revenue for your holiday let when demand is greatest



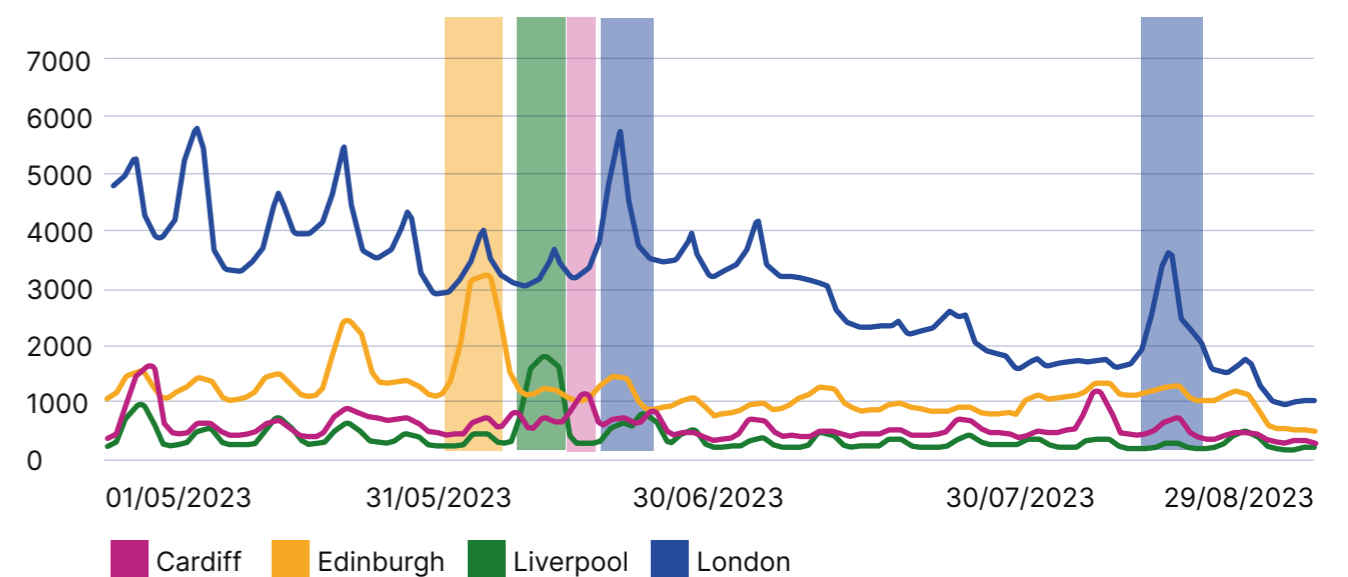
Our dedicated team constantly monitor market demand and seasonality to adjust prices and find that balance between rental rate and booking numbers to optimise owner income. Owners who opt into our Income Maximisation Strategy earn, on average, 12% more revenue from their holiday let.

But it's not just seasonal moments to make the most of, with other major events also seemingly driving up demand for short-term rentals and presenting an opportunity for owners to generate additional income.

Top three seasonal periods where income potential is greatest, according to short-term rental data and analytics provider, AirDNA:

- **Christmas week** - 87% increase in revenue versus the week prior
- **May half-term** - 47% increase in revenue versus the week prior
- **Easter** - 38% increase in revenue versus the week prior

Introducing Swiftie Mania! The following graph highlights just how much demand for short term-rentals can change depending on key events. Here, AirDNA has highlighted an increase in bookings for short term rentals to coincide with the dates of Taylor Swift's upcoming UK tour – with significant peaks in demand correlating with the dates of her tour.



Supply and demand in the holiday let sector

The following map showcases where demand for UK holiday lets has increased the most over the past five years, based on total nights booked in 2019 versus 2023.

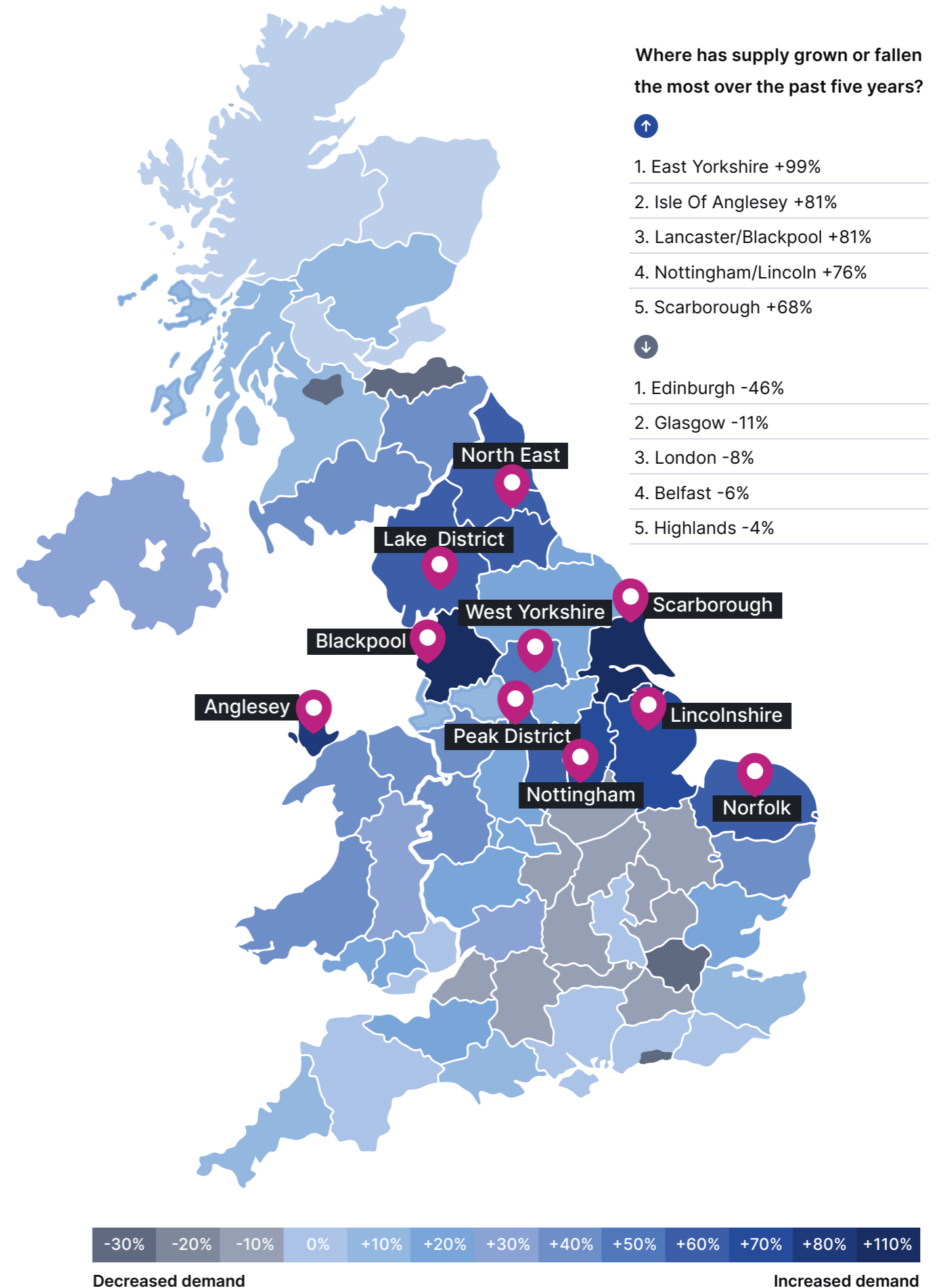
This is informed by AirDNA data which includes more than 300,000 holiday let properties across the UK to provide an accurate representation of demand.



Bram Gallagher,
PhD Economist at AirDNA

Heading into 2024, the UK holiday let market is demonstrating strength and resilience, even amid economic headwinds and changes to the sector. We expect to see a number of new listings comparable to 2023, although this will represent a smaller percentage increase.

For UK holiday homeowners, there are still plenty of opportunities to boost bookings and grow revenues. By prioritising maintenance, delivering five-star service, and strategically pricing against the competition, well-managed properties and proactive homeowners can achieve remarkable results.



About Sykes Holiday Cottages

Sykes Holiday Cottages is a B Corp certified, holiday cottage rental agency with over 30 years' experience in the industry.

Owned by parent company Forge Holiday Group, Sykes now has more than 22,500 properties available across the UK and Ireland, taking over three million people on holiday each year.

While the business has grown significantly over the years, Sykes commitment to offering quality accommodation to travellers – and being the best choice for holiday homeowners – remains unchanged. Sykes has been awarded 'Best Large UK Holiday Cottage Booking Company' at the British Travel Awards for ten consecutive years.

Headquartered in Chester and with regional offices around the country, its team of over 1,150 employees work with customers and owners to deliver the best British breaks available.

Methodology:

Based on Sykes Holiday Cottages' internal bookings, revenue, website and owner data from 2019 to 2024.

Supporting consumer research of 500 holiday let owners was carried out by 3Gem in both January 2024 and March 2024, while further insights were provided by the Professional Association of Self-Caterers following a survey of more than 4,000 holiday let owners in March 2024.

Analysis of the supply and demand of holiday lets in the UK provided by [AirDNA](#).

This report does not constitute legal, tax, financial (including investment) or commercial advice. Please seek your own independent advice from external third-party experts.

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Contact us:

For further information on the report findings, methodology or press enquiries please contact sykescottages@citypress.co.uk

To find out more about becoming a holiday let owner, please visit www.sykescottages.co.uk/letyourcottage



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